

Senate File 2211 - Introduced

SENATE FILE 2211

BY MATHIS

A BILL FOR

1 An Act establishing an Iowans first tax credit program within
2 the economic development authority for taxpayers who hire
3 qualified individuals and including effective date and
4 applicability provisions.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 15.119, subsection 2, Code Supplement
2 2011, is amended by adding the following new paragraph:

3 NEW PARAGRAPH. *i.* The Iowans first tax credit pursuant to
4 section 15E.371. In allocating tax credits pursuant to this
5 subsection, the authority shall allocate twenty million dollars
6 for purposes of this paragraph.

7 Sec. 2. NEW SECTION. 15E.371 **Iowans first tax credit.**

8 1. For purposes of this section, unless the context
9 otherwise requires:

10 *a. "Full-time basis"* means an average of forty hours of work
11 per week, including all paid holidays, vacations, sick leave,
12 and other paid leave.

13 *b. "Qualified individual"* means a resident of this state who
14 is legally authorized to work in this state.

15 *c. "Qualifying wage threshold"* means the county wage or
16 the regional wage, as calculated by the authority pursuant to
17 subsection 3, whichever is lower.

18 2. *a.* A tax credit shall be allowed against the taxes
19 imposed in chapter 422, divisions II, III, and V, and in
20 chapter 432, and against the moneys and credits tax imposed
21 in section 533.329, for hiring a qualified individual for
22 employment in this state on or after the effective date of
23 this Act. The credit shall be an amount equal to two thousand
24 dollars.

25 *b.* In order to qualify for the credit in this section, all
26 of the following must apply:

27 (1) The taxpayer must employ the qualified individual on a
28 full-time basis for twelve consecutive months.

29 (2) The taxpayer must provide a sufficient package of
30 benefits to the qualified individual for twelve consecutive
31 months. The economic development authority board, at the
32 recommendation of the director of the authority, shall adopt
33 rules determining what constitutes a sufficient package of
34 benefits.

35 (3) The taxpayer must pay the qualified individual at least

1 one hundred percent of the qualifying wage threshold for twelve
2 consecutive months.

3 (4) The qualified individual was not employed by the
4 taxpayer before the date the qualified individual is hired
5 for employment which qualifies for this credit and was not
6 hired to replace an individual whose employment was terminated
7 within the six-month period preceding the date the qualified
8 individual is hired.

9 (5) The taxpayer has received, in the aggregate, less
10 than two hundred thousand dollars in credits pursuant to this
11 section.

12 (6) The taxpayer does not have a record of violations of
13 the law, including but not limited to environmental and worker
14 safety statutes, rules, and regulations, over a period of time
15 that tends to show a consistent pattern, unless the authority
16 finds that the violations did not seriously affect public
17 health or safety, or the environment, or if it did, that there
18 were mitigating circumstances. In making the findings and
19 determinations regarding violations, mitigating circumstances,
20 and whether the business is disqualified for the credit in this
21 section, the authority shall be exempt from chapter 17A.

22 (7) The position for which the qualified individual is
23 hired was not created because of the relocation of the position
24 from another area of this state after the taxpayer closed or
25 substantially reduced operations in one area of this state and
26 relocated substantially the same operations in a community in
27 another area of this state. This subparagraph shall not be
28 construed to prohibit a business from expanding its operation
29 in a community if existing operations of a similar nature in
30 this state are not closed or substantially reduced.

31 (8) The taxpayer does not receive any assistance,
32 incentive, or benefit under the quality jobs enterprise zone
33 program in section 15A.9 or the high quality jobs program in
34 sections 15.326 through 15.336 for the tax year in which this
35 credit is claimed.

1 3. County and regional wage calculations.

2 *a.* In administering the credit program, the authority
3 shall annually calculate a county wage and a regional wage for
4 each county for purposes of determining the eligibility of
5 applicants for the credit.

6 (1) The county wage and the regional wage shall be an hourly
7 wage rate based on data from the most recent four quarters of
8 wage and employment information from the quarterly covered
9 wage and employment data report issued by the department of
10 workforce development.

11 (2) The authority shall not include the value of benefits
12 when calculating the county wage or the regional wage.

13 *b.* The county wage shall be the average of the wages paid
14 for jobs performed in the county by employers in all employment
15 categories except the employment categories of government,
16 agriculture, and mining.

17 *c.* The regional wage shall be calculated as follows:

18 (1) Multiplying by four the county wage of a county.

19 (2) Adding together the county wage of each of the counties
20 adjacent to the county.

21 (3) Adding the result obtained in subparagraph (1) to the
22 result obtained in subparagraph (2).

23 (4) Dividing the result obtained in subparagraph (3) by the
24 sum of the number of counties adjacent to the county plus four.

25 4. To receive the Iowans first tax credit, a taxpayer must
26 submit an application to the authority, made in the manner and
27 form prescribed by the authority. If the taxpayer meets the
28 criteria for eligibility, the authority shall issue to the
29 taxpayer a tax certificate for the Iowans first tax credit.
30 The authority shall issue such certificates so that not more
31 than the amount allocated for such tax credits under section
32 15.119, subsection 2, may be claimed for any one fiscal year.
33 Tax certificates shall be issued on an earliest filed basis.
34 The certificate shall contain the taxpayer's name, address,
35 tax identification number, the amount of the credit, the tax

1 year for which the certificate applies, and an expiration date
2 for the certificate. The taxpayer must file the tax credit
3 certificate with the taxpayer's income tax return for the tax
4 year in which the twelfth month of employment falls in order
5 to claim the tax credit.

6 5. The tax credit certificate, unless otherwise void, shall
7 be accepted by the department of revenue as payment for taxes
8 imposed pursuant to chapter 422, divisions II, III, and V,
9 chapter 432, and section 533.329, subject to any conditions or
10 restrictions placed by the authority upon the face of the tax
11 credit and subject to the limitations of this section.

12 6. Tax credits issued under this section are not
13 transferable to any person or entity.

14 7. Any credit in excess of the tax liability is not
15 refundable, but the excess for the tax year may be credited to
16 the tax liability for the following five tax years or until
17 depleted, whichever is earlier.

18 8. An individual may claim the tax credit allowed a
19 partnership, limited liability company, S corporation, estate,
20 or trust electing to have the income taxed directly to the
21 individual. The amount claimed by the individual shall be
22 based upon the pro rata share of the individual's earnings of
23 the partnership, limited liability company, S corporation,
24 estate, or trust.

25 Sec. 3. NEW SECTION. 422.11I Iowans first tax credit.

26 The taxes imposed under this division, less the credits
27 allowed under section 422.12, shall be reduced by an Iowans
28 first tax credit allowed under section 15E.371.

29 Sec. 4. Section 422.33, Code Supplement 2011, is amended by
30 adding the following new subsection:

31 NEW SUBSECTION. 29. The taxes imposed under this division
32 shall be reduced by an Iowans first tax credit allowed under
33 section 15E.371.

34 Sec. 5. Section 422.60, Code Supplement 2011, is amended by
35 adding the following new subsection:

1 NEW SUBSECTION. 14. The taxes imposed under this division
2 shall be reduced by an Iowans first tax credit allowed under
3 section 15E.371.

4 Sec. 6. NEW SECTION. 432.12N Iowans first tax credit.

5 The taxes imposed under this chapter shall be reduced by an
6 Iowans first tax credit allowed under section 15E.371.

7 Sec. 7. Section 533.329, subsection 2, Code Supplement
8 2011, is amended by adding the following new paragraph:

9 NEW PARAGRAPH. m. The moneys and credits tax imposed under
10 this section shall be reduced by an Iowans first tax credit
11 allowed under section 15E.371.

12 Sec. 8. EFFECTIVE DATE. This Act, being deemed of immediate
13 importance, takes effect upon enactment.

14 Sec. 9. APPLICABILITY. This Act applies to qualified
15 individuals hired on or after the effective date of this Act.

16 EXPLANATION

17 This bill provides a credit against the individual and
18 corporate income taxes, franchise tax, insurance premiums tax,
19 and moneys and credits tax for hiring a qualified individual
20 for employment in this state. "Qualified individual" is
21 defined as a resident of this state who is legally authorized
22 to work in this state. The credit is an amount equal to \$2,000.

23 In order to qualify for the credit, several factors must be
24 met. First, the taxpayer must employ the qualified individual
25 on a full-time basis, provide a sufficient package of benefits,
26 and pay the qualified individual at least 100 percent of
27 the qualifying wage threshold, for 12 consecutive months.
28 The qualifying wage threshold is calculated by the economic
29 development authority as provided in the bill. Second,
30 the qualified individual must not have been employed by the
31 taxpayer before the date of hire and must not have been hired
32 to replace a person whose employment was terminated within the
33 last six months. Third, the taxpayer has received less than
34 \$200,000 in Iowans first tax credits. Fourth, the taxpayer
35 must not have a consistent pattern of violations of the law,

1 including but not limited to environmental and worker safety
2 laws. Fifth, the position for which the qualified individual
3 was hired must not have been relocated from another area of
4 this state after the taxpayer closed or substantially reduced
5 operations in that area. Sixth, the taxpayer must not be
6 currently receiving any assistance, incentive, or benefit under
7 the quality jobs enterprise zone program or the high quality
8 jobs program for the tax year in which this credit is claimed.

9 To receive the tax credit, a taxpayer must submit an
10 application to the economic development authority and receive a
11 tax credit certificate, and then attach the certificate to the
12 taxpayer's tax return. The tax credits are nontransferable and
13 nonrefundable, but may be carried forward for five years.

14 The bill also places the Iowans first tax credit under the
15 aggregate tax credit limit cap of the economic development
16 authority and allocates \$20 million of the cap to the credit.
17 The economic development authority is required to issue
18 certificates so that not more than \$20 million in credits are
19 claimed in any one fiscal year. Certificates are to be issued
20 on an earliest filed basis.

21 An individual may claim the tax credit allowed a
22 partnership, limited liability company, S corporation, estate,
23 or trust electing to have the income taxed directly to the
24 individual. The amount claimed by the individual shall be
25 based upon the pro rata share of the individual's earnings of
26 the partnership, limited liability company, S corporation,
27 estate, or trust.

28 The bill takes effect upon enactment and applies to
29 qualified individuals hired on or after that date.